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## **CHINA SUNTIEN GREEN ENERGY CORPORATION LIMITED\***

### **新天綠色能源股份有限公司**

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 00956)**

### **CONTINUING CONNECTED TRANSACTIONS UNDER THE GHGER PROJECT AGREEMENT**

Reference is made to the announcement of the Company dated 24 March 2016 in relation to the Company entering into the VER Project Agreement with CISF, a connected person of the Company, pursuant to which CISF is responsible for the unified management of the emission reduction units generated by the VER projects (including wind power and photovoltaic power projects) of the Group that satisfy the development conditions. In view of the expiration of the VER Project Agreement on 31 December 2016, the Company has entered into the GHGER Project Agreement with CISF on 8 June 2017, pursuant to which, CISF shall continue to be responsible for the unified management of the emission reduction units generated by the GHGER projects (including wind power and photovoltaic power projects) of the Group that satisfy the development conditions in 2017. The GHGER Project Agreement is effective from 1 January 2017 to 31 December 2017.

According to the terms of the GHGER Project Agreement, CISF will be mainly responsible for the development of the designated GHGER projects of the Company, the daily management of the emission reduction units of the projects, the sales of the GHGER on behalf of the Company, etc. CISF will absorb all of the expenses generated in the preliminary development stage of the GHGER projects and will charge the Company 40% of the annual emission reduction revenue generated by the GHGER projects of the Company as management fees. Both parties agree that the total management fees to be paid by the Company to CISF shall not exceed RMB5 million within the term of the GHGER Project Agreement.

HECIC is the controlling shareholder of the Company, directly holding approximately a 50.5% equity interest of the Company, and is therefore a connected person of the Company. As CISF is a subsidiary of HECIC, it is also a connected person of the Company. Accordingly, the transactions under the GHGER Project Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio of this Transaction exceeds 0.1% but is less than 5% on an annual basis, this Transaction is subject to the reporting, announcement and annual review requirements, but is exempt from the circular (including independent financial advisor) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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## **GHGER PROJECT AGREEMENT**

The Group has been generating revenue from the sales of GHGER of certain wind farms since 2007. The management of the GHGER business of the Group includes handling matters such as arranging the new energy projects to be reported to and registered with the NDRC and the United Nations Executive Board of the Clean Development Mechanism and selling the approved GHGER of the projects which are in operation. In order to better develop and manage the GHGER projects of the Group, the Company and CISF have entered into the GHGER Project Agreement, the salient terms of which are as follows:

### **Date**

8 June 2017

### **Term**

1 January 2017 to 31 December 2017

### **Parties**

- (i) The Company; and
- (ii) CISF.

## **Salient terms**

### **I. The rights and obligations of the Company**

The Company will:

1. be responsible for providing the project list of the Group, including but not limited to wind power and solar energy projects, to CISF;
2. facilitate CISF to complete the preliminary development of the GHGER projects and designate the relevant personnel to communicate and coordinate with the project companies within the Group to ensure that every stage of the project development is progressing smoothly;
3. be responsible for the coordination between the project companies within the Group and CISF and arranging the project companies to provide CISF with all of the requisite documents and information which are relevant to the projects during the development of the GHGER projects;
4. have the right to request CISF to proceed and complete the relevant project development as scheduled. If CISF delays the development progress, CISF needs to provide a written explanation to the Company. If the progress of the Group's project development delays for more than six months due to the fault of CISF, the Company has the right to claim damages against CISF; and
5. facilitate the relevant members of the Group, the third party certification bodies selected by CISF and the purchaser to enter into relevant contracts (such as the third party certification bodies' service contracts and the emission reduction units purchase contracts).

### **II. The rights and obligations of CISF**

CISF will be responsible for:

1. the relevant work in connection with the development stage of the projects, including but not limited to appointing third party certification bodies (such bodies are appointed by the NDRC and the United Nations Executive Board of the Clean Development Mechanism for assessing the truthfulness and completeness of the projects) and selection of the purchasers etc.;
2. formulating the standardized process of project development in order to enhance the efficiency of project development;
3. reviewing the third party certification bodies' consultation contracts, service contracts and the emission reduction purchase contracts etc.;
4. project inspections and the completeness, accuracy and compliance of the inspection information to ensure that the approvals of the NDRC and the United Nations Executive Board of the Clean Development Mechanism for the emission reduction are obtained in a timely manner to protect the interests of both parties;

5. the daily management of the GHGER of all the GHGER projects under the GHGER Project Agreement as well as the entering into transactions on behalf of the Company with the purchasers at a prevailing and reasonable market price over the same period. Such transactions will be filed with the Company within one month from its completion. CISF shall remit 60% of the payment received from the purchasers to the Company within one month after retaining 40% as project management fees; and
6. preparing reports with the relevant information as required by the Company.

### III. Fees and payment

1. CISF will absorb all the expenses occur in the preliminary development stage of the GHGER projects, including preparation fees of the design documents for the projects and validation fees, project registration fees, project inspection fees and fees for the issuance of the emission reduction inspection charged by the third party certification bodies as well as all the expenses incurred during the transaction.
2. CISF will charge a project management fee equivalent to 40% of the annual emission reduction revenue generated by the GHGER projects of the Company.
3. The aggregate management fees to be paid by the Company to CISF shall not exceed RMB5 million within the term of the GHGER Project Agreement.

### **PRINCIPLES OF DETERMINING THE MANAGEMENT FEES**

According to the terms of the GHGER Project Agreement, CISF will charge the Company a project management fee equivalent to 40% of the annual emission reduction revenue generated by the GHGER projects of the Group.

When determining the management fees charged by CISF, the engineering management department of the Company made reference to similar project services fees charged by three GHGER market development companies in the PRC market to ensure that the fees charged by CISF are in line with the prevailing price in the GHGER market and the pricing terms are no less favorable than the transaction terms entered into between the Group and independent third parties.

### **HISTORICAL DATA, ANNUAL CAP AND THE DETERMINATION BASIS**

According to the terms of the VER Project Agreement, the aggregate management fees which CISF would receive from the Company in 2016 is no more than RMB5 million. During 2016, CISF participated in the development of VER projects of four wind farms (with aggregate installed capacity of 448.5MW). Given that the development of the wind farm VER projects has not yet completed in 2016, CISF has not yet received management fees from the Group for the year ended 31 December 2016 and the four months ended 30 April 2017. The Group expects that the VER projects of such wind farms will generate project income of approximately RMB2.1727 million for the Group in 2017. The Group shall pay CISF management fees of approximately RMB0.8691 million in respect of the projects.

Based on (1) the management fees to be paid to CISF by the Group in respect of the above-mentioned wind farm VER projects which have commenced development process in 2016, (2) the development plans of verified projects of the Group in 2017, (3) the current market price of China's GHGER transactions, and (4) the proportion of the management fees charged by CISF in accordance with the terms of the GHGER Project Agreement accounting for the emission reduction revenue generated from the GHGER projects of the Company, the Company expects that the aggregate management fee to be paid to CISF by the Group for the year ending 31 December 2017 will not exceed RMB5 million.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE GHGER PROJECT AGREEMENT**

The Company has not employed any professional staff for emission reduction project development and does not possess the necessary expertise to complete the project development on its own. Accordingly, the Company needs to complete the reporting procedures with the assistance of professional consulting entities. CISF has a professional greenhouse gas assets development team and is familiar with the overall project development process, especially the major procedures including the project design documents involving additional demonstration, universality analysis and economic evaluation of the project. CISF also has reporting experience in respect of the development of certified emission reduction projects in the PRC, which can enhance the possibility of obtaining the necessary approvals from the NRDC for the projects. Meanwhile, CISF has established strategic partnership with various reputable domestic and foreign companies, which diversifies its domestic and foreign sales channels of greenhouse gas assets.

In addition, market development companies in the market who are able to handle certification of emission reduction in the PRC generally charge an advanced payment for the preliminary development of a project. Such fees are not refundable if the project is not successfully developed. However, according to the GHGER Project Agreement, the preliminary development fee will be borne by CISF and no fee will be paid by the Company at the preliminary development stage of a project. Meanwhile, after receiving payment from the GHGER purchasers, CISF will remit to the Company 60% of the payment as soon as possible after retaining 40% as the project management fees. Comparing with the cooperation with independent third parties, this arrangement significantly reduces the Company's risk of commercial disputes such as delay in GHGER payment collection.

## **General Information**

### ***The Company***

The Company is one of the leading clean energy companies in Northern China. Its scope of business includes: (i) investment in exploration and utilization projects of natural gas, liquefied natural gas, compressed natural gas, coalbed methane and coalbased natural gas; (ii) investment in the development of new energy projects such as wind power, solar power and nuclear energy; and (iii) development of new energy technology and technical services.

### ***CISF***

CISF, with its development direction of exploring and providing clean energy, is principally engaged in exploration and utilization of distributed energy (provision of air conditioning, heating and electricity),

contract energy management and renewable green energy in order to provide the customers with an advanced, clean and low-greenhouse gas energy system and the integration and optimization of the energy system.

### **Implication under the Listing Rules**

HECIC is the controlling shareholder of the Company, directly holding approximately a 50.5% equity interest of the Company, and is therefore a connected person of the Company. As CISF is a subsidiary of HECIC, it is also a connected person of the Company. Accordingly, the GHGER Project Agreement and the transactions thereunder constitutes continuing connected transactions of the Company under Chapter 14A of Listing Rules.

As the highest applicable percentage ratio of this Transaction exceeds 0.1% but is less than 5%, this Transaction is subject to the reporting, announcement and annual review requirements, but is exempt from the circular (including independent financial advisor) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As five of our Directors, namely Dr. Cao Xin, Dr. Li Lian Ping, Mr. Qin Gang, Ms. Sun Min and Mr. Wu Huijiang, hold management positions in HECIC, they have abstained from voting on the Board resolutions in relation to the approval for the GHGER Project Agreement and this Transaction according to the requirements of the articles of association of the Company. Save for the above, no other Director has material interest in the transactions contemplated under the GHGER Project Agreement and hence no other Director is required to abstain from voting on such Board resolutions.

The Directors (including all the independent non-executive Directors) consider that the GHGER Project Agreement has been negotiated on an arm's length basis and on normal commercial terms, and the transaction terms and management fees thereunder and its annual caps are fair and reasonable which are in the interests of the Company and its shareholders as a whole.

### **DEFINITIONS**

In this announcement, the following terms shall have the following meaning unless the context otherwise requires:

“Board”	the board of Directors of the Company;
“Company”	China Suntien Green Energy Corporation Limited (新天綠色能源股份有限公司), a joint stock company incorporated in the PRC with limited liability on 9 February 2010, whose H shares are listed on the Main Board of the Stock Exchange;
“connected person(s)”	has the meaning ascribed to it in the Listing Rules;
“controlling shareholder”	has the meaning ascribed to it in the Listing Rules;
“Director(s)”	the director(s) of the Company;

“HECIC”	Hebei Construction & Investment Group Co., Ltd. (河北建設投資集團有限責任公司), a wholly state-owned enterprise incorporated in the PRC, and one of the promoters and the controlling shareholder of the Company, which is primarily engaged in the investment in and construction of projects in the foundation industries, infrastructures and pillar industries in Hebei Province, including energy, transportation, water supply and commercial real estate;
“CISF”	Hebei Construction & Investment State Financing Energy Services Ltd. (河北建投國融能源服務有限公司), a company incorporated in the PRC, which is a subsidiary of HECIC and a connected person of the Company;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“GHGER”	including but not limited to the certified emission reduction (CER) generated from the Clean Development Mechanism (CDM) under the Kyoto Protocol, the VER generated from the International Voluntary Emission Reduction project under the International Emissions Trading Association in accordance with the Verified Carbon Standard (VCS), and the China’s certified emission reduction (CCER) generated from the China’s Greenhouse Gas Voluntary Emission Reduction project under the “Interim Measures for Voluntary Greenhouse Gas Emissions Reduction Transaction” of the NDRC;
“GHGER Project Agreement”	the GHGER Project Development and Emission Reduction Trading Commission Management Agreement entered into between the Company and CISF on 8 June 2017;
“PRC”	the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region and Taiwan region;
“RMB”	Renminbi, the lawful currency of the PRC;
“NDRC”	the National Development and Reform Commission of the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiaries”	has the meaning ascribed to it in the Listing Rules;
“this Transaction”	services provided to the Company by CISF according to the GHGER Project Agreement;

“VER”	voluntary emission reduction, which is not required by any law or regulation but is a voluntary carbon emission amount set by an organization with an aim to actively participate in improving climate change. According to the requirements of “Interim Measures for Voluntary Greenhouse Gas Emission Reduction Transaction” promulgated by the National Development and Reform Commission, it is one of China’s Certified Emission Reduction (CCER); and
“VER Project Agreement”	the VER Project Development and Emission Reduction Trading Commission Management Agreement entered into between the Company and CISF on 24 March 2016, which was expired on 31 December 2016.

By order of the Board of  
**China Suntien Green Energy Corporation Limited**  
**Mei Chun Xiao**  
*Executive Director/President*

Shijiazhuang, Hebei Province, the PRC  
8 June 2017

*As at the date of this announcement, the non-executive Directors of the Company are Dr. Cao Xin, Dr. Li Lian Ping, Mr. Qin Gang, Ms. Sun Min and Mr. Wu Hui Jiang; the executive Directors of the Company are Mr. Mei Chun Xiao and Mr. Wang Hong Jun; and the independent non-executive Directors of the Company are Mr. Qin Hai Yan, Mr. Ding Jun, Mr. Wang Xiang Jun and Mr. Yue Man Yiu Matthew.*

\* *For identification purposes only*